

E-015/PA-93-621 ORDER APPROVING TRANSFER AND CHANGE IN ACCOUNTING
FOR INVENTORY

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by
Minnesota Power for Approval of
a Transfer of Spare Parts for
the Boswell Steam Electric
Generating Station Unit No. 4 to
Wisconsin Public Power
Incorporated System Pursuant to
Spare Parts Settlement Agreement

ISSUE DATE: December 10, 1993

DOCKET NO. E-015/PA-93-621

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PROCEDURAL HISTORY

On August 24, 1990, the Commission approved the transfer from Minnesota Power (MP) to Wisconsin Public Power Incorporated System (WPPI) of an undivided 20 percent interest in the facilities of the Boswell Steam Electric Generating Station Unit No. 4. Docket No. E-015/PA-90-153.

On June 9, 1993, MP entered into a Spare Parts Settlement Agreement with WPPI.

On July 17, 1993, MP and WPPI filed a petition seeking approval by the Commission of the Settlement Agreement.

On October 11, 1993, the Minnesota Department of Public Service (the Department) filed its Report and Recommendation regarding the proposed Settlement.

On November 24, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission adopts and incorporates into this Order the Department's attached Report and Recommendation. The Commission finds that the proposed settlement is supported by substantial evidence in the record and is in the public interest. In addition, taking into consideration the reasonable value of the property to be transferred, the Commission finds that the

transfer of assets from MP to WPPI is consistent with the public interest, as required by Minn. Stat. § 216B.50 (1992). Specifically, therefore, the Commission will approve the sale by MP to WPPI a 20 percent undivided ownership interest in capitalized and O&M spare parts of Boswell 4 for \$1,429,294.

In conjunction with the sale of spare parts to WPPI, MP changed its accounting for spare parts. The change in accounting resulted in an increase in inventory of approximately \$11.4 million. This accounting change is appropriate and the Commission will approve it.

However, since MP has previously expensed approximately \$4.8 million of the \$11.4 million it now records in inventory, it will not be allowed to include this amount in rate base or expense in a future rate proceeding. To do so would amount to double recovery of those expenses. MP states that it has established a tracking system for these parts so that ratepayers will not pay for more than the original purchase of these parts. According to MP, it will not include any amount of the previously expensed parts in rate base or expense in future rate proceedings. The effectiveness of MP's tracking system and related rate treatment for these expensed parts will be subject to review at the time of a future rate proceeding.

ORDER

1. The Spare Parts Settlement Agreement proposed by Minnesota Power (MP) and Wisconsin Public Power Incorporated System (WPPI) is approved. MP is authorized to sell a 20 percent undivided ownership interest in Capitalized and O&M Spare Parts of Boswell 4 to WPPI for \$1,429,294.
2. MP's change in the accounting for spare parts is approved.
3. The effectiveness of MP's tracking system in facilitating exclusion of the \$4.8 million previously expensed parts from the Company's proposed rate base or expense in its next rate case will be subject to review in that proceeding.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)